



Independent Auditor's System Report  
For Payphone Compensation  
As required by FCC Order 03-235  
CC Docket No. 96-128

## **Table of Contents**

|  |           |
|--|-----------|
| <b>INDEPENDENT AUDITOR'S REPORT .....</b>                    | <b>3</b>  |
| <b>OVERVIEW OF SYSTEM AUDIT REQUIREMENTS .....</b>           | <b>4</b>  |
| <b>AUDIT PROCESS &amp; PROCEDURES .....</b>                  | <b>5</b>  |
| <b>PAYPHONE COMPENSATION POLICIES &amp; PROCEDURES .....</b> | <b>6</b>  |
| <b>RESPONSIBLE DEDICATED STAFF .....</b>                     | <b>6</b>  |
| <b>DATA MONITORING PROCEDURES .....</b>                      | <b>7</b>  |
| <b>COMPENSATION ASSURANCE PROTOCOLS .....</b>                | <b>7</b>  |
| <b>COMPENSABLE CALL FILE AND REPORTING .....</b>             | <b>7</b>  |
| <b>DISPUTE RESOLUTION PROCEDURES .....</b>                   | <b>8</b>  |
| <b>COMPENSATION VERIFICATION .....</b>                       | <b>8</b>  |
| <b>AUDIT CONCLUSIONS .....</b>                               | <b>8</b>  |
| <b>FCC RELEVANT RULES ACCURATELY STATED .....</b>            | <b>8</b>  |
| <b>ESTABLISHED SECURITY PROTOCOLS .....</b>                  | <b>8</b>  |
| <b>AUDIT FINDINGS .....</b>                                  | <b>9</b>  |
| <b>EXHIBIT A .....</b>                                       | <b>10</b> |
| <b>EXHIBIT B .....</b>                                       | <b>14</b> |

## **Independent Auditor's Report** **System Audit Report**

Board of Directors

CenturyLink Communications, LLC fka Qwest Communications Company, LLC

At the request of CenturyLink Communications, LLC fka Qwest Communications Company, LLC (hereinafter referred to as "CenturyLink"), we have examined the call tracking systems of CenturyLink for payphone calls in compliance with FCC Order 03-235, Docket No 96-128. CenturyLink management is responsible for compliance with those requirements. Our responsibility is to express an opinion on CenturyLink compliance based on our examination.

Our examination included procedures and testing to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives – namely, that the call tracking system of CenturyLink accurately tracks payphone calls to completion and that CenturyLink satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about company compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on company compliance with specified requirements. This report does not include the operations of Qwest Corporation dba CenturyLink QC, which are being addressed in a separate GSAssociates report.

In our opinion, CenturyLink complied in all material respects with the requirements outlined in FCC Order 03-325, Docket 96-128 for the audit period. CenturyLink has sufficient controls in place to provide reasonable assurance to achieve the control objectives, namely that the company call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning Payphone Compensation at CenturyLink as of June 30, 2016, as well as information concerning tests of the operating effectiveness and payments made includes the periods of Q2, Q3, Q4 of 2015 and additionally Q1 2016. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls at CenturyLink is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of CenturyLink, and is not intended to be and should not be used by anyone other than the specified party.

*General Solutions Associates, L.L.C.*

Alpharetta, Georgia  
June 30, 2016



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## **Overview of System Audit Requirements**

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004 (the "Order"), requiring Interexchange Carriers (IXCs), LECs, CLECs and Switch Based Resellers (herein collectively or individually referred to as a "Carrier"), to establish and maintain a comprehensive Call Tracking System (CTS) which accurately reports and compensates Payphone Service Providers (PSPs).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor's report shall conclude whether the carrier complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the Carrier's procedures accurately reflect the Commission's rules, including the attestation reporting requirements.
- 2) Whether the Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the Carrier has effective data monitoring procedures.
- 4) Whether the Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the Carrier has procedures to incorporate call data into required reports.
- 7) Whether the Carrier has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.
- 9) Whether the Carrier has adequate and effective business rules for implementing and paying payphone compensation.

CenturyLink utilizes the services of BSG Clearing Solutions, Inc. ("BSG"), a payphone compensation clearing house to perform payphone compensation remittances. Therefore certain assertions included in this report depend upon BSG performing in accordance to contractual agreements. These agreements in part require BSG to comply with CC Docket 96-128 and to provide to CenturyLink an independent third party audit to verify that it has in place effective controls and procedures that support the assertions in this report. The BSG independent audit report is attached as exhibit 'B'.

## **Audit Process & Procedures**

Our audit reports on all nine (9) factors listed in the Order. The guidelines used to conduct and prepare the report are established in the AICPA's Statements on Standards for Attestation Engagements (SSAE), specifically, SSAE 10, AT Section 101 Attest Engagements and AT Section 601 Compliance Attestation.

Those standards required that GSAssociates:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
  - a) *Objectivity* – free of bias
  - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
  - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
  - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an independent mental attitude in all matters relating to the engagement.
- 5) Exercise due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

CenturyLink utilizes an internal tracking and compensation system, solely for the purpose of calculating and remitting payphone compensation. This audit focuses on data from Q2, Q3, Q4 of 2015 and additionally Q1 2016 which is the latest quarter that CenturyLink has remitted compensation.

## ***Payphone Compensation Policies & Procedures***

CenturyLink has established and documented policies & procedures specifically in compliance with the FCC Dial Around Compensation order and industry best practices. These include, but are not limited to:

1. Backup Policy
2. Core Security / Critical Data Requirements Policy
3. Software Quality Testing Process
4. Change Control Policy
5. Host / Server Security Policy
6. Password Policy
7. Log Tracking & Archive Process
8. Physical Security Policy
9. Information Access Control Policy
10. Monitoring Policy

CenturyLink responsible parties have verified through interviews, process document review and management has verified through written attestation that these policies and others are in effect and that no material change has occurred through the audit period.

### ***Responsible Dedicated Staff***

CenturyLink has dedicated staff responsible for tracking, compensating, and reporting concerning completed calls, more specifically:

1. The drafting of necessary business requirements.
2. The development & maintenance of systems used to create payphone call records from switch records.
3. The implementation and maintenance of procedures that check the validity of identified payphone records.
4. The implementation and maintenance of procedures that create final compensation data sets.
5. The development of compensation tracking reports.
6. Dispute resolution.

Through interview, discussion and full document review; the employees responsible for the management of the call tracking system are competent and capable of performing the assigned duties and supporting their responsibilities.

### ***Data Monitoring Procedures***

CenturyLink has developed a systematic reporting process to generate monthly and quarterly reports on payphone call counts, PSP identities, and numbers called.

These reports reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

GSAssociates requested a Call Detail Record (CDR) trend analysis report along with requesting other documentation and materials that CenturyLink used to test the consistency of the call tracking system as well as the trend of compensation.

### ***Compensation Assurance Protocols***

CenturyLink has established procedures which guarantee that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in aforementioned procedure section and do not adversely affect its call tracking capabilities.

GSAssociates, through interviews, document review and written attestation, validated that compensation assurance procedures are in effect and enforced.

CenturyLink validated that no changes to procedures and policies were made during the audit period. The systems, policies, and procedures for tracking, reporting, and compensating for eligible payphone calls remain in force and unchanged.

### ***Compensable Call File and Reporting***

CenturyLink extracts all data directly from all platforms that carry payphone traffic. This CDR is consolidated and used to prepare online reports for utilization in the compensation process.

GSAssociates reviewed the compensable call file and determined that it contained all the necessary data to perform the ANI match and to prepare detailed reports for compensation to each separate PSP or Aggregator.

### ***Dispute Resolution Procedures***

CenturyLink has assigned specific personnel responsible for managing BSG and processing payments to PSPs and aggregators and for managing the in-house payphone compensation system.

Management has verified that there were no disputes raised by payphone owners during the audit period.

### **Compensation Verification**

GSAssociates has determined that CenturyLink has properly compensated PSPs through 2015 and the 1st Quarter of 2016.

Management has confirmed that no system changes have occurred to the process through the audit period and that no errors or deficiencies in processing of payments to payphone owners had occurred throughout the audit period.

### **Audit Conclusions**

#### ***FCC Relevant Rules Accurately Stated***

CenturyLink has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Data storage requirements.

#### ***Established Security Protocols***

CenturyLink has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel. Monitoring tracking systems have been installed to limit access to the company's call tracking system. Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.



### ***Audit Findings***

CenturyLink, Inc. began operations in 1930. Through acquisition, it has positioned itself as the third largest telecommunications provider in the United States, based on access lines, as well as a leading international provider of data integration and managed hosting. CenturyLink, Inc., through its subsidiaries, including interexchange carrier CenturyLink Communications, LLC (fka Qwest Communications Company, LLC dba CenturyLink QCC), serves 37 states with approximately 12.4 million access lines and 6.1 million broadband customers, together with a nationwide core fiber network.

As discussed earlier in this report, CenturyLink, Inc. acquired Qwest Communications Company, LLC and its payphone compensation operations as of April 1, 2011.

GSAssociates has documented that the compensation system in use as of the date of this report is effective and complete, and it has validated payments made throughout 2015 and for 1Q 2016.

CenturyLink Communications, LLC is in compliance for the audit period and compensation has been appropriately made to the PSPs or Aggregators for the audit period.

## Exhibit A

### **Exhibit A**

CenturyLink Communications, LLC.  
(Formerly known as Qwest Communications Company, LLC)  
(Wholesale)

CenturyLink

### **Report of Management on Compliance with Applicable Requirements of Section 64.1310(a) (I) of the FCC's Rules and Regulations**

The management of CenturyLink Communications, LLC, (formerly known as Qwest Communications Company, LLC) is responsible for establishing and maintaining adequate systems and processes for its Pay Telephone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(I) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has performed an evaluation of the Company's compliance with the applicable requirements of 47 C.F.R. Section 64.1310 (a)(I), using the criteria in 47 C.F.R. Section 64.1320(c) of the FCC Rules and Regulations as the framework for the evaluation. Based on this evaluation, we assert that as of July 1, 2004, the Company complies with all applicable requirements of 47 C.F.R. Section 64.1310(a)(I) in all material respects as described below.

We have prepared the required assertion statements relating to the CenturyLink Payphone Call Tracking Systems.

CenturyLink is acknowledged as the "Completing Carrier" in the following call scenarios:

- Operator Service Calls
- 8XX Toll Free Calls
- Calling Card Calls

All assertions for CenturyLink are from the point CenturyLink has visibility to the call tracking data.

CenturyLink utilizes the services of BSG Clearing Solutions, Inc. ("BSG") to perform payphone compensation clearinghouse settlement services. Therefore, certain assertions included in this report depend upon BSG performance to contractual agreements. These agreements in part require BSG to comply with CC Docket 96-128 and to provide to CenturyLink an independent third party audit to verify that it has in place effective controls and procedures that support the assertions in this report.

CenturyLink represents the following assertions where it is identified as the Completing Carrier:

### **FCC Compliance Factor (1) – CenturyLink ("Completing Carrier") procedures accurately track calls to completion.**

- The CenturyLink definition of a "per call rate" of \$.494 is in compliance with FCC rules that became effective on September 27, 2004. The "per call rate" prior to this date was \$.24.
- The CenturyLink definition of a "Compensable Call" (payphone originated call that completes over CenturyLink network in which CenturyLink identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- The CenturyLink definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- The CenturyLink system is able to generate the following reports on a quarterly basis:
  - a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI for each payphone.

- b) The volume of calls for each toll free and access number that was completed by CenturyLink.
- c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling CenturyLink payphone compensation.
- d) The Carrier Identification Code ("CIC") of all facilities based carriers that routed calls to CenturyLink.

- CenturyLink data storage requirement (27 months) is in compliance with FCC rules.

**FCC Compliance Factor (2) – CenturyLink ("Completing Carrier") has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.**

- CenturyLink has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone compensated calls.
- CenturyLink has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data. BSG through its third party audit indicates that it has designated personnel responsible for system maintenance.
- CenturyLink has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets. BSG through its third party audit indicates that it has designated personnel responsible for system maintenance.
- CenturyLink has designated personnel who are responsible for developing compensation tracking reports and for reviewing and monitoring reports created by BSG.
- CenturyLink has designated personnel who are responsible for payphone compensation dispute resolution in conjunction with BSG personnel.

**FCC Compliance Factor (3) - CenturyLink ("Completing Carrier") has effective data monitoring procedures.**

- CenturyLink has the ability to prepare quarterly reports on payphone call counts. BSG prepares all quarterly compensation reports as indicated in the third party audit report provided to us.
- CenturyLink performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- CenturyLink has the ability to produce trend reports of excluded calls.
- CenturyLink works with its IT department, in conjunction with BSG for fraud monitoring procedures and processes to identify potentially illegitimate payphone calls.
- CenturyLink in conjunction with BSG has the ability to resolve any PSP disputes and assist in any of the identification processes.

**FCC Compliance Factor (4) - CenturyLink ("Completing Carrier") adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.**

- CenturyLink has security controls in place to control access to and monitor call tracking data.
- CenturyLink has a department that is responsible for making software changes that affect payphone compensation.

- CenturyLink has established protocols to implement and test software changes affecting payphone compensation.
- CenturyLink has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

**FCC Compliance Factor (5) – CenturyLink ("Completing Carrier") creates a compensable payphone call file by using internal customer information matched to toll free records. This file contains all payphone traffic with payphone identifiers.**

- CenturyLink utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- CenturyLink uses payphone specific identifiers to identify a compensable payphone call record.
- CenturyLink uses customer number information compared to call detail information (FROM NUMBER field in the Call Detail Record) to identify a compensable payphone call record.
- CenturyLink applies validation and control procedures to compile the Compensable Call File.

**FCC Compliance Factor (6) – CenturyLink ("Completing Carrier") has procedures to incorporate call data into required reports to make payment to PSPs.**

- CenturyLink systems are able to generate a quarterly file from their raw switch records that contains completed pay phone calls. This data is formatted based on internal requirements and passed over for producing all necessary reports and making payments to PSP's.
- CenturyLink through its vendor BSG is able to produce required reports which include all data required by FCC mandate including but not limited to access numbers and call counts.

**FCC Compliance Factor (7) - CenturyLink ("Completing Carrier") has implemented procedures and controls needed to resolve payphone compensation disputes.**

- CenturyLink maintains required call tracking data for at least 27 months.
- CenturyLink has the ability to investigate and resolve PSP disputes.
- CenturyLink has designated personnel who are responsible for payphone compensation dispute resolution.

**FCC Compliance Factor (8) – Critical controls and procedures have been tested by CenturyLink ("Completing Carrier") to verify that errors are insubstantial.**

- CenturyLink has procedures to identify payphone terminated calls, and has tested the effectiveness of these procedures to management satisfaction.
- CenturyLink has procedures to capture dial around calls and has tested the effectiveness of these procedures to management satisfaction.
- CenturyLink has procedures to accurately populate CDR in the Compensable Call File and has tested the effectiveness of these procedures to management satisfaction.

**FCC Compliance Factor (9) – CenturyLink ("Completing Carrier") has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.**



- CenturyLink has business rules that identify calls originated from payphones.
- CenturyLink has business rules that identify compensable payphone calls.
- CenturyLink has business rules that exclude incomplete calls.
- CenturyLink maintains a customer list of PSP's to determine the identities of the PSP's for which CenturyLink owes compensation.

**CenturyLink - Required Disclosures per 64.1320(d)**

CenturyLink represents the following facts regarding its role as the Completing Carrier. These facts are in fulfillment of the obligations of the Company as specified at 47 C.F.R. Sections 64.1320(d):

- CenturyLink has criteria for identifying calls originating from payphones which include a call record info-digit identification of 7, 25, 27, 29 or 70. Additionally, originating ANI may also be used to identify payphone-originated calls as needed.
- CenturyLink has criteria for identifying compensable payphone calls including all calls with info-digits 7, 25, 27, 29 or 70 (or with an ANI otherwise identified as a payphone) and call duration greater than 0. Calls originating from payphones where CenturyLink has a separate compensation agreement in place are excluded from the Compensable Call File.
- CenturyLink has criteria for identifying compensable payphone calls, including; all calls that the customers states in their contracts to have QCC pay the payphone provider on their behalf.
- CenturyLink has criteria for identifying compensable calls including all OS call (product type 9999).
- CenturyLink has criteria for identifying incomplete or otherwise non compensable calls which include: a) calls that do not have info-digits 7, 25, 27, 29 or 70 (or that do not have an ANI otherwise identified as a payphone), b) calls with duration of 0, c) CenturyLink is not the terminating carrier d) 1+ re-originations or e) product type 8888 (TRS calls).
- CenturyLink has criteria that are used to determine the identity of the PSP's to which CenturyLink owes compensation is established by BSG. CenturyLink utilizes an ANI database to determine PSP ownership.

  
\_\_\_\_\_  
EVP, CFO AND ASSISTANT SECRETARY

5-23-16  
\_\_\_\_\_  
Date

## Exhibit B



### Padgett Stratemann

#### Independent Service Auditor's Report

To the Board of Directors  
Billing Services Group North America, Inc.  
San Antonio, Texas

#### *Scope*

We have examined Billing Services Group North America, Inc. and its affiliates' (collectively, "BSG" or the "Company") description of its *Dial Around Compensation System* for processing user entities' transactions throughout the period from April 1, 2015 through March 31, 2016 (the "Description"), and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description. The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls contemplated in the design of BSG's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

#### *Service Organization's Responsibilities*

In Section II of this report, BSG has provided an assertion about the fairness of the presentation of the Description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description. BSG is responsible for preparing the Description and for its assertion, including the completeness, accuracy, and method of presentation of the Description and its assertion, providing the services covered by the Description, specifying the control objectives and stating them in the Description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the Description. The controls have been specified by BSG and are stated in Appendix A of this report.

#### *Service Auditor's Responsibilities*

Our responsibility is to express an opinion on the fairness of the presentation of the Description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the Description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the Description throughout the period from April 1, 2015 through March 31, 2016.

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An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the Description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the Description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the Description were achieved. An examination of this type also includes evaluating the overall presentation of the Description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in Section II of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

#### ***Inherent Limitations***

Because of their nature, controls at a service organization may not prevent or detect and correct all errors or omissions in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the Description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

#### ***Opinion***

In our opinion, in all material respects, based on the criteria described in BSG's Assertion in Section II of this report:

- a. The Description fairly presents the *Dial Around Compensation System* that was designed and implemented throughout the period from April 1, 2015 through March 31, 2016.
- b. The controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from April 1, 2015 through March 31, 2016, and user entities applied the complementary user entity controls contemplated in the design of BSG's controls throughout the period from April 1, 2015 through March 31, 2016.
- c. The controls tested, which, together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the Description were achieved and operated effectively throughout the period from April 1, 2015 through March 31, 2016.

**Description of Tests of Controls**

The specific controls tested and the nature, timing, and results of those tests are listed in Appendix A of this report.

**Restricted Use**

This report and the description of tests of controls and results thereof in Appendix A of this report are intended solely for the information and use of BSG, user entities of BSG's *Dial Around Compensation System* during some or all of the period from April 1, 2015 through March 31, 2016, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information, including information about the controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than those specified parties.

*Padgett, Statemann & Co., L.L.P.*

San Antonio, Texas  
May 31, 2016